



# WEEKLY ECONOMIC DIGEST

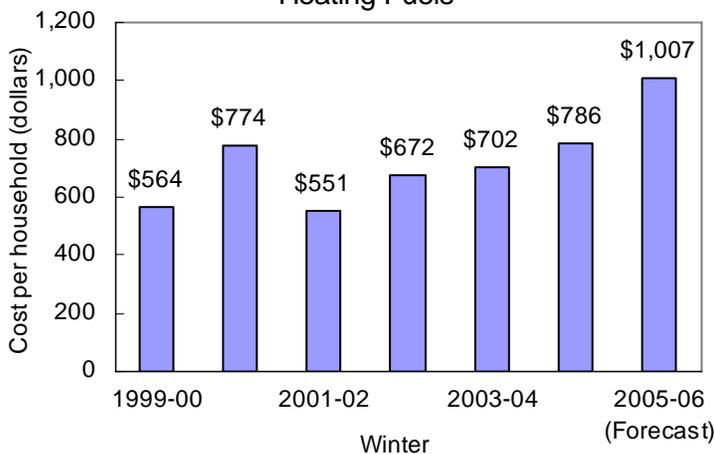


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

November 15, 2005

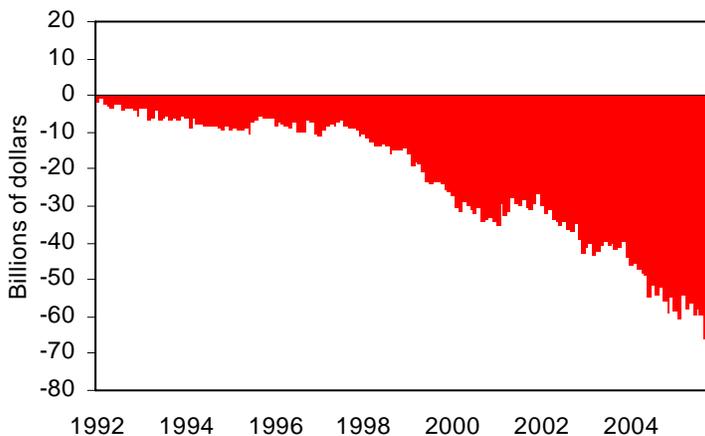
## Energy Prices Down from Storm-Related Peaks, but Still High

Average Household Expenditures for Winter Heating Fuels



Source: Energy Information Agency, U.S. Department of Energy

U.S. Trade Balance for Goods and Services



Source: Census Bureau, U.S. Department of Commerce.

- **Record winter heating costs are still in the forecast despite energy price declines.** After hitting a peak \$3.07 per gallon on September 5, the retail price of regular gasoline has fallen to \$2.30, close to its level in early August. Natural gas prices have also receded from their storm-related peaks, but they remain more than 20 percent higher than they were in early August. Natural gas is the primary heating fuel for more than half of the nation's households. The Energy Department now predicts that heating costs for all fuels will average just over \$1,000 per household this winter (see top chart). That would be an increase of about 28 percent above last winter's costs. Those heating with natural gas can expect an increase of 41 percent.

- **Hurricane effects helped boost the trade deficit to another record high in September.** Already at historically high levels, the U.S. trade deficit for goods and services widened to \$66.1 billion in September, the largest monthly deficit on record (see bottom chart). Imports of goods and services accelerated, growing by 2.4 percent in September after growing 1.8 percent in August. While nearly all categories of imports rose in September, the 4.4 percent rise in petroleum imports was especially strong and stemmed from the sharply higher oil prices in the wake of the storms. Exports of goods and services dropped by 2.6 percent, reflecting some storm-related disruption as well as the strike at Boeing.

- **Import prices fell in October as oil prices dropped, but non-oil import prices accelerated.** Import prices fell by 0.3 percent last month, the first decline since May. The drop reflects a 4.4 percent decline in the price index for imported petroleum. The price of nonpetroleum imports rose by 0.8 percent last month to a level that was 3.7 percent higher than a year earlier. That is the largest twelve-month change in nonpetroleum import prices in more than a decade.

The Economy at a Glance	Oct	Sep	Aug	Jul	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004	2003
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	3.8	3.3	3.8	3.3	4.2	2.7
Industrial Production (% growth)*	n.a.	-16.6	4.9	0	1.3	1.6	3.8	4.2	4.1	0.6
Capacity Utilization (level, %)*	n.a.	79.0	80.3	80.1	79.8	79.9	79.9	79.4	78.6	75.7
Civilian Unemployment Rate (level, %)	5.0	5.1	4.9	5.0	5.0	5.1	5.3	5.4	5.5	6.0
Housing Starts (thousands)*	n.a.	2108	2038	2062	2069	2044	2083	1973	1950	1854
Real Disposable Personal Income (% growth)	n.a.	12.3	-16.1	1.5	-0.9	1.5	1.0 <sup>#</sup>	4.3 <sup>#</sup>	3.1 <sup>#</sup>	2.4
Retail Sales (% growth)*	n.a.	2.9	-20.2	22.4	6.7	10.8	6.0	9.8	7.3	4.3
Personal Saving Rate (level, %)	n.a.	-0.4	-1.8	-1.2	-1.1	0.1	0.5	1.2 <sup>#</sup>	1.5 <sup>#</sup>	2.1
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)*	n.a.	15.4	6.2	6.2	5.1	4.2	2.4	3.6	2.7	2.3
Core CPI-U Inflation (% growth)*	n.a.	1.2	1.2	1.2	1.5	2.0	2.6	2.3	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	3.2	2.8	2.8	3.2	3.9	3.9
Output per Hour (% growth)	—	—	—	—	4.1	2.1	3.2	2.5	3.4	3.8
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	3.71	3.42	3.44	3.22	3.36	2.86	2.54	2.01	1.37	1.01
T-note Rate, 10-years (level, %)	4.46	4.20	4.26	4.18	4.21	4.16	4.30	4.17	4.27	4.01
Federal Funds Rate (level, %)	3.78	3.62	3.50	3.26	3.46	2.94	2.47	1.95	1.35	1.13
Dow Jones Industrial Avg (index level)	10324	10533	10554	10545	10544	10382	10648	10362	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

\* Subject to revision over the next week.

# Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

### Upcoming Economic Releases:

- **Producer Price Indexes: October 2005** [Release: Tuesday, November 15]
- **Advance Monthly Sales for Retail and Food Services: October 2005** [Release: Tuesday, November 15]
- **Manufacturing and Trade Inventories and Sales: September 2005** [Release: Wednesday, November 16]
- **Consumer Price Index: October 2005** [Release: Wednesday, November 16]
- **New Residential Construction: October 2005** [Release: Thursday, November 17]
- **Industrial Production and Capacity Utilization: October 2005** [Release: Thursday, November 17]
- **Existing Home Sales: October 2005** [Release: Tuesday, November 22]